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17 October 1962

MEMORANDUM FOR DEPUTY SECRETARY OF DEFENSE**SUBJECT: Proposed Revision to NRO Agreement**

I have reviewed the suggested revision to the 2 May 1962 DOD-CIA Agreement which Mr. McCone left with Mr. McNamara on 5 Oct. The proposed revision includes only two essential changes: the paragraph on responsibilities which establishes the National Reconnaissance Planning Group, and a substantially altered paragraph on financial management. In general, I feel that the establishment of the National Reconnaissance Planning Group is a good step, and one which should satisfy the concern expressed by the Millian Board. However, I feel that the suggested paragraph on financial management is completely unacceptable. I also believe that, if the basic agreement is to be modified at this time, then two other relatively minor changes should be made. The attached copy of this proposed revision has been typed to show my suggested changes by lining out deletions and underlining additions.

The following comments pertain to the specific changes:

- a. Page 1, under "Responsibilities", 3d line. I recommend deletion of "and managerial direction" since it is my understanding that managerial direction is the responsibility of the DMRG.
- b. Same page and paragraph as above, line 6. I would suggest that "Executive" is a more appropriate term than Executive Agent.
- c. Page 2, paragraph 2, a, (1). The use of the words "those covert projects already under its management and such additional" infers a continuation of the old way of doing business and seems inappropriate as a part of the basic agreement. Covert projects already assigned to CIA will remain so assigned until and unless changed by the NRPB.

NRO and OSD review(s) completed.

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d. Page 3, subparagraph b. We have had extensive discussion on the subject of financial management during the recent preparation of the FY 63-64 NRO budget. Because of some difficulty in reaching complete understanding with all parties concerned, I have included in some detail the financial management which I believe is desirable.

e. Page 3, paragraph 3, c, line 5. It is certainly appropriate that this responsibility be carried out in conjunction with CIA, however the responsibility for supervision is clearly a DNRO responsibility; the present wording infers CIA supervision of the DNRO in this matter.

With the above changes I believe that the prepared revision is desirable and would be beneficial to the basic understanding necessary to ensure continued efficient operation of the NRO.

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Director
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